

Message Text

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PAGE 01 TOKYO 03011 240653Z
ACTION COME-00

INFO OCT-01 EA-12 ISO-00 EB-08 STR-07 /028 W
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P 240621Z FEB 78
FM AMEMBASSY TOKYO
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UNCLAS TOKYO 3011

PASS COMMERCE FOR WEIL/GLICK, STR

E.O. 11652: N/A
TAGS: BEXP, ETRD, JA,US
SUBJECT: TRADE FACILITATION COMMITTEE: CASE NO. 6--GENERAL
DATACOMM INDUSTRIES, INC.

REF: (A) STATE 41042, (B) TOKYO 2422

1. SUMMARY: EMBASSY IS PREPARING FOR CONSIDERATION
BY TOKYO GROUP OF JOINT U.S.-JAPAN TRADE FACILITATION
COMMITTEE (TFC) A NEW CASE CONCERNING PROPOSED ACTION
BY NIPPON TELEPHONE AND TELEGRAPH COMPANY (NTT) WHICH
WOULD SEVERELY RESTRICT IMPORTS OF U.S. MODEMS. BELIEVE
THIS WILL BE MOST SIGNIFICANT CASE CONSIDERED BY TFC
TO DATE AND SHOULD BE SPECIFICALLY NOTED DURING
MARCH 13 WASHINGTON MEETING OF TFC SENIOR REVIEW
COMMITTEE. END SUMMARY.

2. REF A DESCRIBES LETTER WRITTEN TO USDOC BY DONALD R.
LEHRMAN, VICE PRESIDENT - INTERNATIONAL, GENERAL DATACOMM
INDUSTRIES, INC., CONCERNING A PROPOSED CHANGE IN NTT'S
PRINCING OF LEASED TELEPHONE LINES AND ASSOCIATED MODEM
EQUIPMENT WHICH WOULD RESTRICT OR ELIMINATE IMPORTS OF
MODEMS. SAME REFTEL INDICATES THAT LETTER POUCHED TO
EMBASSY AND REQUESTS THAT, IF FACGS CAN BE VERIFIED,
CASE BE RAISED IN THE TFC.

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3. FOR WASHINGTON'S BACKGROUND, LEHRMAN WAS IN TOKYO
WEEK OF FEBRUARY 6 FOR U.S. TRADE CENTER COMPUTERS AND
PERIPHERAL EQUIPMENT EXHIBITION. AS RESULT OF COMMERCIAL
COUNSELOR'S PARTICIPATION IN BREAKFAST BRIEFING OF
EXHIBITORS BY AMERICAN CHAMBER OF COMMERCE, DURING WHICH
HE DESCRIBED THE TFC, LEHRMAN MET WITH CCOUNS FEBRUARY 8.

BECAUSE LEHRMAN'S ORIGINAL LETTER TO COMMERCE (COPY OF WHICH HE HAD WITH HIM) WAS NOT SUFFICIENTLY DETAILED, EMBASSY REQUESTED AN EXPANDED VERSION IN DRAFT FORM. THIS WAS PROVIDED FEBRUARY 9 AND TYPED BY EMBASSY SAME DAY.

4. IN ORDER TO INCLUDE THE INTERESTS OF OTHER SUPPLIERS AFFECTED BY PROPOSED NTT ACTION, EMBOFFS MET FEBRUARY 17 WITH TOKYO-BASED FAR EAST MANAGER FOR CODEX CORPORATION, ALSO AN EXHIBITOR IN USTC SHOW. CODEX REPRESENTATIVE PROMISED TO PROVIDE ADDITIONAL INFORMATION REGARDING IMPACT OF NTT ACTION ON U.S. PRODUCERS OF MODEMS AT THE UPPER CAPACITY RANGE (GENERAL DATACOMM MANUFACTURES LOWER CAPACITY MODEMS).

5. IN MEANTIME,EMBOFFS ALSO MET WITH ICC FAR EAST CO., LTD., LOCAL AGENT FOR RACAL-MILGO, ANOTHER SUPPLIER OF HIGH CAPACITY MODEMSN WHO, HOWEVER, IS NOT CERTAIN THAT NTT'S PROPOSED ACTION WOULD ACTUALLY HAVE AN ADVERSE EFFECT ON ITS JAPANESE SALES.

6. NEVERTHELESS, THE BASIC FACTS, AS PRESENTED TO COMMERCE, ARE CORRECT. THE NEW NTT TARIFF RATES WERE APPROVED BY MINISTRY OF POSTS AND TELECOMMUNICATIONS (MPT) IN LATE DECEMBER AND ARE SCHEDULED TO BECOME EFFECTIVE APRIL 1, 1978. MOTIVATION OF NTT APPEARS UNCLASSIFIED

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(REPEAT) APPEARS TO BE THAT, BY ESTABLISHING A MONOPOLY OF PRESENT VOICE-TRANSMISSION SERVICE, IT WILL BE IN A BETTER POSITION TO CONTINUE MONOPOLY POSITION IF AND WHEN NTT IS ABLE TO OFFER DIGITAL-TRANSMISSION SERVICE.

7. COMMENT: UNLIKE TFC CASE NO. 3 (MICROLERT)--WHICH INVOLVED NTT OFFICIALS AT THE WORKING LEVEL AND MIGHT BE EXPLAINED BY THE GOJ AS AN ISOLATED EXAMPLE--THE PRESENT CASE ARISES FROM A DETERMINED ACTION APPROVED AT THE TOP LEVELS OF NTT AND MPT WHICH AFFECTS A SIGNIFICANT VOLUME OF TRADE. FOR THIS REASON, AS WELL AS NTT'S PERVASIVE INFLUENCEHMA VARIOUS AREAS AFFECTING U.S. SALES IN JAPAN,*;11 3.- 6 CONSIDERS THIS THE MOST SIGNIFICANT CASE DEVELOPED TO DATE AND BELIEVES IT WOULD BE APPROPRIATE TO SPECIFICALLY NOTE IT DURING THE MARCH 13 WASHINGTON MEETING OF THE SENIOR REVIEW COMMITTEE OF THE TFC.

8. EMBASSY WILL SHORTLY SUBMIT THIS PROBLEM TO JAPANESE CO-CHAIRMAN (HANAOKA) OF TFC TOKYO GROUP AS CASE NO. 6 UNDER ITEM ONE OF THE TFC TERMS OF REFERENCE. COPIES OF THE EMBASSY'S LETTER AND ENCLOSURE WILL BE MAILED

TO COMMERCE (GLICK) AND STATE (SHINN).

9. SINCE FOREGOING WAS DRAFTED, PREPARATION OF EMBASSY'S
COVERING LETTER, ENCLOSING MR. LEHRMAN'S LETTER, HAS
BEEN COMPLETED; PACKAGE BEING DELIVERED TO HANOKA FRIDAY
AFTERNOON, FEBRUARY 24 AT MONTHLY MEETING OF JOINT
U.S.-JAPAN TRADE STUDY GROUP.
MANSFIELD

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